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FISCAL IMPACT STATEMENT

LS 6907

BILL NUMBER: SB 434

NOTE PREPARED: Dec 30, 2008

BILL AMENDED:

SUBJECT: Fire protection territories.

FIRST AUTHOR: Sen. Zakas

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill allows a civil taxing unit to increase its property tax levy in the first year in which the civil taxing unit participates in a fire protection territory.

Effective Date: January 1, 2009 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Current law allows two or more taxing units to form a fire protection territory with one of the units being the provider of services to the territory. Originally, there was no levy limit for the fire protection territories in the first three years of existence. However, under HEA 1001-2008, fire protection territory levies for all years beginning with taxes payable in 2009 are limited to growth at the income-based assessed value growth quotient (around 4%).

Under this bill and beginning with taxes payable in 2009, the levy limit would not apply during the first year for a newly formed fire protection territory. Instead, the proposed budget, levy, and tax rate must be submitted to the state's Local Government Tax Control Board for review and recommendation to the Department of Local Government Finance (DLGF). The DLGF would make a final determination regarding the fire territory's initial levy while considering the fire territory's obligation to meet fire protection expenses and an operating balance of up to 20% of budget. The fire protection expenses would include expenses that

were funded through loans or emergency borrowing prior to establishment of the territory. The initial levy would be the basis for subsequent years' levies.

If levies for new fire territories are greater under this bill than under current law, then tax rates and tax bills will rise for all taxpayers in the covered areas. If these territories exist in areas where the property tax circuit breaker caps may be triggered, then the property tax collections losses could increase for the fire territories and other taxing units in the county.

Conversely, if the DLGF sets levies for new fire territories lower than the levies allowed under current law, then tax rates and tax bills could be reduced and circuit breaker losses, if applicable, could decrease.

State Agencies Affected: DLGF.

Local Agencies Affected: Fire protection territories; Local civil taxing units and school corporations.

Information Sources:

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